

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Review, 2012

Docket No. ACR2012

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued January 11, 2013)

To clarify the basis of the Postal Service's estimates in its FY 2010 Annual Compliance Report (ACR), filed December 28, 2012, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than January 22, 2013.

First-Class Mail

1. The Postal Service identifies the exception claimed under 39 U.S.C. 3622(e)(2)(B) as justification for the passthroughs in excess of 100 percent of avoided costs for Mixed AADC Automation Cards, Automation ADC Flats and 5-Digit Automation Flats.¹ Please provide qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support the use of this exception.
2. The Postal Service identifies the exception claimed under 39 U.S.C. 3622(e)(2)(D) as justification for the passthroughs in excess of 100 percent of avoided costs for Mixed AADC Automation Letters and 5-Digit Automation Flats.²

¹ The Postal Service also justifies this passthrough under 39 U.S.C. 3622(e)(2)(D).

² The Postal Service also justifies this passthrough under 39 U.S.C. 3622(e)(2)(B).

Please explain how this exception applies to these discounts and identify the operations affected.

3. Please refer to Library Reference USPS-FY12-3 - FY 2012, Excel file “FY12.3.Worksharing Discount Table_Final.xls,” worksheet tab FCM Flats, cells F10 and F11. Please confirm that these cell values should be 0.056 and 0.174, respectively.

Standard Mail

4. The Postal Service states that the exception in 39 U.S.C. § 3622(e)(2)(B) applies to the excess passthroughs for Nonautomation ADC Nonmachinable Letters, Nonautomation 3-digit Nonmachinable Letters, Nonautomation 5-digit Nonmachinable Letters, Nonautomation 5-digit Flats, NDC Irregular Parcels, NDC Marketing Parcels, and SCF Marketing Parcels. 2012 ACR at 20-24. Please provide qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support use of this exception.
5. The table below shows the increased unit costs for Carrier Route from FY 2010 to FY 2012. Please discuss the reasons behind the increased unit costs and any plans the Postal Service has to mitigate these increases in the future.

Fiscal Year	Unit Cost (cents)	Percent Increase
FY 2010	16.5	
FY 2011	17.7	7.2%
FY 2012	18.9	6.8%

Periodicals

6. Please provide the Periodicals' publication database for FY 2012.

Special Services

7. The following table refers to Library Reference USPS-FY12-4, the FY2012 Market Dominant Billing Determinants, filename "FY 2012 Special Services.xls," and to USPS-FY12-42, the Public FY 2012 Revenue, Pieces and Weight Report (RPW), filename "FY2012_RPWsummaryreport-public.xls." Please explain the difference in revenue for Stamped Envelopes and Cards in these two spreadsheets and provide the correct figures.

Special Services	Billing Determinants (000)	RPW (000)	Difference (000)
Envelopes & Cards		\$18,701.949	
Envelopes	\$16,853.372		
Cards	\$2,119.408		
Total Env. & Cd	\$18,972.780	\$18,701.949	\$270.831

8. The following table refers to Library Reference USPS-FY12-4, the FY2012 Market Dominant Billing Determinants, filename "FY 2012 Special Services.xls," and to USPS-FY12-42, the Public FY 2012 Revenue, Pieces and Weight Report (RPW), filename "FY2012_RPWsummaryreport-public.xls." Please explain the differences in volume in these two spreadsheets and provide the correct figures.

Special Services	Billing Determinants (000)	RPW (000)	Difference (000)
Collect on Delivery	726.070	702.552	23.518
Insurance	29,546,733		
Express Mail Ins.	561.798		
Total Insurance	30,108.531	30,115,142	(6.611)
Registered Mail	2,267.492	2,415.040	(147.548)
Return Receipts	169,077.949	169,900.029	(822.080)

9. The following table refers to Library Reference USPS-FY12-4, the FY 2012 Market Dominant Billing Determinants, filename "FY 2012 Special Services.xls," and to USPS-FY12-42, the Public FY 2012 Revenue, Pieces and Weight Report (RPW), filename "FY2012_RPWsummaryreport-public.xls." Please explain the difference in the revenue figures for "Total Other Domestic Ancillary Services" and provide the correct figures.

Special Services	Billing Determinants (000)	RPW (000)	Difference (000)
Signature Confirmation	\$60,351.820		
Return Receipts	\$9,167.602		
Total Other Domestic Ancillary Services	\$69,519.422	\$69,621.508	\$102.086

10. The following refers to Library Reference USPS-FY12-42, the Public FY 2012 Revenue, Pieces and Weight Report (RPW), filename “FY2012_RPWsummaryreport-public.xls.” Please show the derivation of what is identified as revenue for “Other Domestic Special Services” – \$109,253,896 and identify the Special Services it includes.
11. In the FY 2011 Annual Compliance Determination the Commission noted that Stamp Fulfillment Services had a cost coverage of 59.7 percent, and in the FY 2012 Annual Compliance Report the Postal Service indicates that the cost coverage is 59.3 percent. Please describe the steps the Postal Service is taking to increase the cost coverage for Stamp Fulfillment Services.

Nonpostal Services

12. In the FY 2012 Annual Compliance Report at 46, Philatelic Sales FY 2012 financial data are reported as follows:
 - a. Revenue - \$10,647,495;
 - b. Expense - \$6,523,854; and
 - c. Net Income - \$10,600,000.Please reconcile the revenue, expense, and net income estimates.
13. Please refer to the Preface to Library Reference USPS-FY12-NP27, which displays FY 2012 Nonpostal Services financial data.
 - a. Some competitive Nonpostal Services report a cost of \$0 or NA. For each such instance, please explain why the costs are either \$0 or “not available.”

- b. For some market dominant and competitive Nonpostal Services, the Postal Service does not identify volume estimates. For each such instance, please explain why volume estimates are not provided.

By the Chairman.

Ruth Y. Goldway